



KPMG LLP
Suite 1300
221 N. Kansas Street
PO Box 522551
El Paso, TX 79999-0010

Independent Accountants' Report on Applying Agreed-Upon Procedures

The Mayor, City Council, and the Mass Transit Board
City of El Paso, Texas:

The Federal Transit Administration (FTA) has established the following standards with regard to the data reported to it in the Federal Funding Allocation Statistics Form included in the City of El Paso, Texas – Mass Transit Department's (Sun Metro) annual National Transit Database (NTD) report for the year ended August 31, 2004:

- A system is in place and maintained for recording data in accordance with NTD definitions. The correct data are being measured and no systematic errors exist.
- A system is in place to record data on a continuing basis and the data gathering is an ongoing effort.
- Source documents are available to support the reported data and are maintained for FTA review and audit for a minimum of three years following the FTA's receipt of the NTD report. The data are fully documented and securely stored.
- A system of internal controls is in place to ensure the accuracy of the data collection process and that the recording system and reported comments are not altered. Documents are reviewed and signed by a supervisor, as required.
- The data collection methods are those suggested by the FTA or meet FTA requirements.
- The deadhead miles, computed as the difference between the reported total actual vehicle miles data and the reported total actual vehicle revenue miles data, appear to be accurate.
- Data are consistent with prior reporting periods and other facts known about Sun Metro operations.

We have performed the procedures enumerated in the attachment to this report (Exhibit 1) to the data contained in Sun Metro's Federal Funding Allocation Statistics Form for the fiscal year ended August 31, 2004. Such procedures, which were agreed to and specified by the FTA in Exhibit 26 of the 2004 *National Transportation Database Reporting Manual* and were agreed to by Sun Metro, were applied solely to assist the specified parties in evaluating whether the transit agency complied with the standards described in the first paragraph and that the information included in the NTD report for the year ended August 31, 2004 is presented in conformity with the requirements of the *Uniform System of Accounts and Records and Reporting System; Final Rule*, as specified in 49 CFR Part 630, *Federal Register*, January 15, 1993 and as presented in the FTA's 2004 *National Transportation Database Reporting Manual*. Sun Metro is responsible for maintaining records in support of the compliance requirements.

This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation

regarding the sufficiency of the procedures described in Exhibit 1 either for the purpose for which this report has been requested or for any other purpose.

The procedures described in Exhibit 1 were applied separately to each of the information systems used to develop the reported vehicle revenue miles, passenger miles, and operating expenses of Sun Metro for the fiscal year ended August 31, 2004 for each of the following modes:

- Motorbus, non-fixed guideway, directly operated service (Motorbus Service)
- Demand response, non-fixed guideway, directly operated service (Demand Response Service)
- Demand response, non-fixed guideway, purchased transportation (Taxicab Service)

We performed the procedures described in Exhibit 1 and found no exceptions except for the following findings that came to our attention.

1. *Findings*

- a. Procedure "H" requires that if a transit agency conducts statistical sampling for estimating passenger miles, this sampling procedure should be 1) one of the two procedures suggested by FTA and described in FTA Circulars 2710.1A or 2710.2A, or 2) an alternative sampling procedure, which needs to be determined by a qualified statistician to meet FTA's statistical requirements.

For motor bus services, Sun Metro uses the methodology set forth in Circular 2710.4A, which requires a total sample size of 208 bus trips per fiscal year, where the sample of trips is obtained by randomly selecting four trips from each week's trip list.

We found that for fiscal year 2004, Sun Metro had a total sample of 230 bus trips, which exceeds the required sample size of 208. We also noted that 1) one of the samples belonged to a prior fiscal year (year-end August 31, 2003); 2) there were four weeks in the current fiscal year from which no samples were selected; and 3) two weeks had sample sizes smaller than four items.

- b. Procedure "T" requires operating expenses should be compared to audited financial data, after reconciling items are removed.

Audited financial statements have not been issued at the time of this report, so this procedure could not be completed as of the date of this report.

2. *Method Used to Determine Passenger Miles*

The results of procedure "I" of Exhibit 1 found that Sun Metro utilized the alternative statistical sampling technique set forth in FTA C2710.4A to estimate Motorbus Service passenger miles reported in the fiscal year 2004 Federal Funding Allocation Statistics Form. The results of our procedures found that Sun Metro obtained a letter from a qualified statistician who reviewed the technique and concluded that it satisfies FTA requirements for minimum levels of confidence (95%) and precision (10%). For Direct Response Service and Taxi Service, the results of our procedures found that Sun Metro utilized the sampling technique set forth in FTA C2710.2A.

3. *Data Comparison Results*

Attachment A provides the data comparison specified in procedure "Y" of Exhibit 1, along with the results of inquiries concerning specified increases or decreases.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion, nor do we express an opinion on Sun Metro's system of internal control taken as a whole. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report relates only to the information described above and does not extend to Sun Metro's financial statements taken as a whole or the forms in Sun Metro's NTD report for any date or period, other than the Federal Funding Allocation Statistics Form for the fiscal year ended August 31, 2004. This report is intended solely for the information and use of the Mayor of El Paso, Members of City Council, the Mass Transit Board, management of Sun Metro, and the FTA and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

January 14, 2005

Federal Funding Allocation Data Review Suggested Procedures

FTA has specified and agreed to a set of procedures for the independent accountants to perform to satisfy the requirements of the Federal Funding Allocation data review. The procedures, to be applied to each applicable mode and type of service (directly operated and purchased transportation), are:

- A. Obtain and read a copy of written procedures related to the system for reporting and maintaining data in accordance with the NTD requirements and definitions set forth in 49 CFR Part 630, *Federal Register*, January 15, 1993 and as presented in the 2004 *Reporting Manual*. If procedures are not written, affirm the procedures with Sun Metro personnel assigned the responsibility of supervising the NTD data preparation and maintenance.
- B. Affirm the procedures (written or informal) with the personnel assigned the responsibility of supervising the preparation and maintenance of NTD data to determine:
 - 1. The extent to which Sun Metro followed the procedures on a continuous basis, and
 - 2. Whether they believe such procedures result in accumulation and reporting of data consistent with the NTD definitions and requirements set forth in 49 CFR Part 630 *Federal Register*, January 15, 1993 and as presented in the 2004 *Reporting Manual*.
- C. Affirm with the same person (procedure "B") concerning the retention policy that is followed by Sun Metro with respect to source documents supporting the NTD data reported on the Federal Funding Allocation Statistics form (FFA-10).
- D. Based on a description of Sun Metro's procedures obtained in items A and B above, identify all the source documents which are to be retained by Sun Metro for a minimum of three years.

For each type of source document, select three months out of the year and observe that each type of source document exists for each of these periods.

- E. Affirm the description of the system of internal controls with the person responsible for supervising and maintaining the NTD data. Inquire whether individuals, independent of the individuals preparing source documents and posting data summaries, review the source documents and data summaries for completeness, accuracy, and reasonableness and how often such reviews are performed.
- F. Select a random sample of the source documents and determine whether supervisors' signatures are present as required by the system of internal controls. If supervisors' signatures are not required, inquire how the supervisors' reviews are documented.
- G. Obtain the worksheets utilized by Sun Metro to prepare the final data, which are transcribed onto the Federal Funding Allocation Statistics Form (FFA-10). Compare the periodic data included on the worksheets to the periodic summaries prepared by Sun Metro. Test the arithmetical accuracy of the summarizations.

- H. Affirm with Sun Metro staff the procedure for accumulating and recording passenger mile data in accordance with NTD requirements. Inquire whether the procedure used is (1) a 100% count of actual passenger miles or (2) an estimate of passenger miles based on statistical sampling meeting the FTA's 95% confidence and 10% precision requirements.

If Sun Metro conducts a statistical sample for estimating passenger miles, inquire whether the sampling procedure is (1) one of the two procedures suggested by the FTA and described in FTA Circulars 2710.1A or 2710.2A, or (2) an alternative sampling procedure.

If Sun Metro uses an alternative sampling procedure for estimating passenger miles, inquire whether the procedure has been approved by the FTA or whether a qualified statistician has determined that the procedure meets FTA's statistical requirements.

Note as an exception in the report the use of an alternative sampling procedure that has not been approved in writing by a qualified statistician.

- I. Confirm with Sun Metro staff the transit agency's eligibility to conduct statistical sampling for passenger mile data every third year. Determine whether Sun Metro meets one of the three criteria that allow transit agencies to conduct statistical samples for accumulating passenger mile data every third year rather than annually. Specifically:

1. According to the 2000 Census, the public transit agency serves an urbanized area of less than 500,000 population.
2. The public transit agency directly operates fewer than 100 revenue vehicles in all modes in annual maximum revenue service (in any size urbanized area).
3. The service is purchased from a seller operating fewer than 100 revenue vehicles in annual maximum revenue service and is included in the transit agency's NTD Report.

For transit agencies that meet one of the above criteria, review the NTD documentation for the most recent mandatory sampling year (2002) and determine that statistical sampling was conducted to accumulate passenger mile data meeting the 95% confidence and 10% precision requirements.

Determine how Sun Metro estimated annual passenger miles for the current report year.

- J. Obtain a description of the sampling procedure for estimation of passenger mile data used by Sun Metro. Obtain a copy of Sun Metro's working papers or methodology used to select the actual sample of runs for recording passenger mile data. If the average trip length was used, determine that the universe of runs was used as the sampling frame. Determine that the methodology to select specific runs from the universe resulted in a random selection of runs. If a selected sample run was missed, determine that a replacement sample run was randomly selected. Determine that Sun Metro followed the stated sampling procedure.
- K. Select a random sample of the source documents for accumulating passenger mile data and determine that they are complete (all required data are recorded) and that the computations are accurate. Select a random sample of the accumulation periods and recompute the accumulations for each of the selected periods. List the accumulation periods that were tested. Test the arithmetical accuracy of the summarization.

Exhibit 1, Continued

- L. Affirm with Sun Metro staff the procedures for systematic exclusion of charter, school bus, and other ineligible vehicle miles from the calculation of vehicle revenue miles and determine that stated procedures are followed. Select a random sample of the source documents used to record charter and school bus mileage and test the arithmetical accuracy of the computations.

Note that this procedure was not applicable to the City of El Paso, Texas Mass Transit Department during the fiscal year ended August 31, 2004.

- M. For vehicle revenue mile data, affirm with Sun Metro staff the methodology concerning the collection and recording of deadhead miles and determine that deadhead miles are systematically excluded from the computation.

This is accomplished as follows:

1. If vehicle revenue miles are calculated from schedules, document the procedures used to subtract missed trips. Select a random sample of the days that service is operated and recompute the daily total of missed trips and missed vehicle revenue miles. Test the arithmetical accuracy of the summarization.
2. If vehicle revenue miles are calculated from hubodometers, document the procedures used to calculate and subtract deadhead mileage. Select a random sample of the hubodometer readings and determine that the stated procedures for hubodometer deadhead mileage adjustments are applied as prescribed. Test the arithmetical accuracy of the summarization of intermediate accumulations.
3. If vehicle revenue miles are calculated from vehicle logs, select a random sample of the vehicle logs and determine that the deadhead mileage has been correctly computed in accordance with the FTA's definitions.

- N. For rail modes, review the recording and accumulation sheets for vehicle revenue miles and determine that locomotive miles are not included in the computation.

Note that this procedure was not applicable to the City of El Paso, Texas Mass Transit Department during the fiscal year ended August 31, 2004.

- O. If fixed guideway directional route miles are reported, inquire of the person responsible for maintaining and reporting the NTD data whether the operations meet the FTA's definition of fixed guideway in that the service is:

1. Rail, trolleybus, or ferryboat or
2. Bus service operating over exclusive or controlled access rights-of-way and:
 - a. access is restricted,
 - b. legitimate need for restricted access is demonstrated by peak period level of service D or worse on parallel adjacent highway, and
 - c. restricted access is enforced.

Exhibit 1, Continued

Note that this procedure was not applicable to the City of El Paso, Texas Mass Transit Department during the fiscal year ended August 31, 2004.

- P. Affirm with Sun Metro personnel responsible for reporting NTD data the procedures for the measurement of fixed guideway directional route miles and determine that the mileage is computed in accordance with the FTA's definitions of fixed guideway and directional route miles.

Inquire whether there were service changes during the year that resulted in an increase or decrease in directional route miles. If a service change resulted in a change in overall directional route mileage, recompute the average monthly directional route miles and agree the total to the fixed guideway directional route miles reported on the Federal Funding Allocation Statistics Form (FFA-10).

Note that these procedures were not applicable to the City of El Paso, Texas Mass Transit Department during the fiscal year ended August 31, 2004.

- Q. Measure fixed guideway directional route miles from maps or by retracing route.

Note that this procedure was not applicable to the City of El Paso, Texas Mass Transit Department, during the fiscal year ended August 31, 2004.

- R. Inquire of the person responsible for reporting the NTD data whether other public transit agencies operate service over the same fixed guideway as the transit agency. If yes, determine that the transit agency coordinated with the other public transit agencies operating the same mode of public transportation over the fixed guideway such that the segment of fixed guideway is reported only once.

Note that this procedure was not applicable to the City of El Paso, Texas Mass Transit Department, during the fiscal year ended August 31, 2004.

- S. Review the Fixed Gateway Segments Form (S-20). Discuss the commencement date of revenue service for each fixed guideway segment with the person responsible for reporting the NTD data and determine that the date is reported as when revenue service began. This is the opening date of revenue service, even though the transit agency may not have been the original operator. Review the form in Internet Reporting and determine that the information has been properly entered. There should be a date for segments put into revenue service on or after September 30, 1997. If the segments opened earlier, the date may be left blank indicating segments older than seven years. However, if a date was entered in the prior year, it should not be removed. Segments on the fixed guideway worksheets are summarized by like characteristics.

Note that this procedure was not applicable to the City of El Paso, Texas Mass Transit Department during the fiscal year ended August 31, 2004.

- T. Compare operating expenses with audited financial data, after reconciling items are removed.

- U. If Sun Metro purchases transportation services, affirm with Sun Metro personnel responsible for reporting the NTD data regarding the amount of purchased transportation generated fare revenues. Compare the purchased transportation fare revenues to the amount reported on the Contractual Relationship Form (B-30) and note any differences.

Exhibit 1, Continued

- V. If Sun Metro's report contains data for purchased transportation services and assurances of the data for those services are not included in the engagement, obtain a copy of the Independent Auditor Statement for Federal Funding Allocation data of the purchased transportation service. Attach a copy of the statement to the report.

Note as an exception if Sun Metro does not have an Independent Auditor Statement for the purchased transportation data.

Note that this procedure was not applicable to the City of El Paso, Texas Mass Transit Department during the fiscal year ended August 31, 2004.

- W. If Sun Metro purchases transportation services, obtain a copy of the purchased transportation contract and determine that the contract (1) specifies the specific mass transportation services to be provided; (2) specifies the monetary consideration obligated by the transit agency or governmental unit contracting for the service; (3) specifies the period covered by the contract and that this period is the same as, or a portion of, the period covered by the transit agency's NTD report; and (4) is signed by representatives of both parties to the contract. Interview the person responsible for maintaining the NTD data regarding the retention of the executed contract and determine that copies of the contracts are retained for three years.

- X. If the transit agency provides service in more than one urbanized area, or between an urbanized area and a non-urbanized area, inquire of the person responsible for maintaining the NTD data regarding the procedures for allocation of statistics between urbanized areas and non-urbanized areas. Obtain and review the worksheets, route maps, and urbanized area boundaries used for allocating the statistics and determine that the stated procedure is followed and that the computations are correct.

Note that this procedure was not applicable to the City of El Paso, Texas Mass Transit Department during the fiscal year ended August 31, 2004.

- Y. Compare the data reported on the Federal Funding Allocation Statistics Form (FFA-10) to comparable data for the prior report year and calculate the percentage change from the prior year to the current year. For vehicle revenue mile, passenger mile, or operating expense data that have increased or decreased by more than 10%, or fixed guideway directional route mile data that have increased or decreased by more than 1%, interview transit agency management regarding the specifics of operations that led to the increases or decreases in the data relative to the prior reporting period.

Attachment A

	<u>August 31, 2004</u>	<u>August 31, 2003</u>	<u>Difference</u>	<u>Percent difference</u>
Motorbus, directly owned and operated:				
Actual vehicle revenue miles	6,673,898	6,989,269	(315,371)	(4.51)%
Passenger miles	59,487,636	59,342,724	144,912	0.24
Operating expense	\$ 31,285,054	30,169,127	1,115,927	3.70
Demand response, directly owned and operated:				
Actual vehicle revenue miles	2,064,012	1,798,083	265,929	14.79 ⁽¹⁾
Passenger miles	2,399,228	2,139,420	259,808	12.14 ⁽¹⁾
Operating expense	\$ 7,403,309	6,909,243	494,066	7.15
Demand response, purchased transportation:				
Actual vehicle revenue miles	179,456	165,354	14,102	8.53
Passenger miles	352,768	315,214	37,554	11.91 ⁽²⁾
Operating expense	\$ 255,797	238,433	17,364	7.28

The Agency provided the following explanations for the indicated variances:

- (1) During the current fiscal year, Sun Metro Lift hired an additional 11 full-time paratransit coach operators, allowing for an increase in service levels.
- (2) There is a continuing effort to increase ridership on the taxi transportation service. Trips provided on taxis ambulatory customers are more cost effective when compared to DO service.